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October 5, 1999

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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AZ CORP COMMISSION
DOCUMENT CONTROL

RE: APS Settlement Proceeding
ACC Docket Nos. E-01345A-98-0473, E-01345A-97-0773, RE-00000C-94-0165

Dear Sir or Madam:

Arizona Public Service Company, the other Parties to the May 14, 1999, Settlement Agreement in the above-captioned proceeding, and the Staff of the Arizona Corporation Commission have agreed to the attached revised Section 7.1 to that Agreement. The Parties to the Agreement and Staff believe the attached language is consistent with the Commission's intent concerning the effect of subsequent Commission orders and intend to include this language in an "Addendum to Settlement Agreement" which will be filed with the Commission in the near future. This Addendum will also contain additional revisions to the Agreement that are required by the Commission's September 23, 1999, vote approving the Settlement.

The Parties and Staff respectfully request prompt Commission approval of the attached revised Section 7.1.

Sincerely,

Barbara A. Klemstine
Manager
Regulatory Affairs

Attachment

Cc: J. Rudibaugh
C. Kempley
D. Scott

**LANGUAGE TO ADD TO
AMENDMENT TO SETTLEMENT AGREEMENT**

In reliance upon the Commission's directive in Decision No. ____ (page 9) that "We want to make it clear that the Commission does not intend to revisit the stranded cost portion of the Agreement. It is also not the Commission's intent to undermine the benefits that parties have bargained for, "Section 7.1 shall be amended to read as follows:

- 7.1. Approval of this Agreement by the Commission shall constitute a waiver of any existing Commission order, rule or regulation to the extent necessary to permit performance of the Agreement, as approved by the Commission. Any future Commission order, rule or regulation shall be construed and administered, insofar as possible, in a manner so as not to conflict with the specific provisions of this Agreement, as approved by the Commission. In the event any of the Parties deems a future Commission order, rule or regulation to be inconsistent with the specific provisions of this Agreement, a waiver of the new Commission order, rule or regulation shall be sought.

Nothing in this Agreement is intended to otherwise interfere with the Commission's ability to exercise its regulatory authority by the issuance of orders, rules or regulations. The requirements of this Agreement shall be performed in accordance with the Commission's Electric Competition Rules (including any specific waivers granted by the Commission's order approving this Agreement), except where a specific provision of this Agreement would excuse compliance.